

September 16, 2019

TO NON-MAATSCHAP QI COLLECTIEF INVESTORS IN BGI FUNDS AND CLAIMANTS IN THE CLSF III IV, INC. AND DEBORAH C. PECK CASES

In an effort to conclude the administration of this case and make distributions to creditors, Trustee, Deborah C. Menotte, intends to file a motion with the United States Bankruptcy Court seeking the approval of a compromise (“Proposed Compromise”) with non-MQIC member claimants who invested in BGI funds. The motion would be the same as what has already been approved by the Court between the Trustee and MQIC member claimants.

BGI investors received payments before the bankruptcy cases were filed that, in Trustee Menotte’s view, constitute interest payments. As a result, Trustee Menotte believes that she has the right to object to all of these claims based upon Section 502(d) of the United States Bankruptcy Code and have the claims disallowed until such time as the claimants return 100% of the monies they received.

Instead, in an effort to avoid lengthy claim litigation that would expend estate funds for attorney fees, thereby reducing monies which would otherwise be available for distribution to creditors, and in an effort to resolve claim issues so that Trustee Menotte can move toward closing the case and make distributions to creditors, Trustee Menotte and MQIC reached a settlement of the claims of investors in BGI Funds for the MQIC members.

The settlement between Trustee Menotte and the MQIC members who invested in BGI Funds, which settlement has been approved by the Bankruptcy Court, calls for the filed amount of the BGI claims to be reduced by 50% of the amounts reflected in the Debtors’ books and records, after first reducing the claim amount by the amount the investor received for his or her interest payments. For example, if a creditor invested \$100,000.00 in a BGI Fund and received \$5,000.00 as an interest payment before the bankruptcy, the claimant would have an allowed claim of \$47,500.00, which is calculated as follows: \$100,000.00 minus \$5,000.00 = \$95,000.00; 50% of \$95,000.00 is \$47,500.00. Additionally, for claimants who invested in BGI and CLSF funds, to the extent the claims were based on investments in CLSF funds, those claims were allowed in the amounts reflected in the Debtors’ books and records.

On July 9, 2019, Trustee Menotte filed a motion (see ECF No. 1808 under the “Non-MQIC BGI Investors” tab on the website: www.clsftrustee.com) asking the Bankruptcy Court to approve the settlement and, on August 19, 2019, the Bankruptcy Court entered an Order (see ECF No. 1815 under the “Non-MQIC BGI Investors” tab on the website: www.clsftrustee.com), approving the settlement between Trustee Menotte and MQIC, with respect to **only** the MQIC members.

As explained above, Trustee Menotte intends on filing another motion (the “Proposed Motion”) with the Bankruptcy Court seeking approval of the Proposed Compromise with claimants who invested in BGI Funds and who are **not** members of MQIC. See Proposed Motion under the “Non-MQIC BGI Investors” tab on the website: www.clsftrustee.com). The terms of the Proposed Compromise would be the same as what has been already approved between the Trustee and

MQIC. In addition, there is one claim set forth in the Proposed Motion that was filed as a secured claim when it should have been filed as an unsecured, non-priority claim and the Trustee seeks to have that claim reclassified as an unsecured, non-priority claim.

Trustee Menotte requests that, **within thirty (30) days from the date of this letter, or by October 16, 2019**, the claimants identified in the exhibits to the Proposed Motion advise the Trustee (via email to kburns@bergersingerman.com, or regular mail or commercial carrier (like United Parcel Service or Federal Express) to **Berger Singerman LLP, Attn.: Kerry L. Burns, Paralegal, One Town Center Road, Suite 301, Boca Raton, Florida, 33486, United States of America**) whether they agree to the treatment of their claims as reflected in the exhibits to the Proposed Motion.

The claimants who advise that they accept the Proposed Compromise **will be included in the Proposed Motion**. With respect to the claimants who reject the Proposed Compromise, they **will not be included in the Proposed Motion** and Trustee Menotte will have to object to those claims.

Trustee Menotte recommends that the claimants identified in Exhibits to the Proposed Motion accept the Proposed Compromise. Claimants should be advised that the bankruptcy estate has approximately USD \$8.2 Million on hand, of which \$2.25 Million is due to be paid to MQIC based on a prior Order of the Bankruptcy Court (see ECF No. 926 under the “Pleadings” tab on the website: www.clsftrustee.com) and USD \$1,038,819.10 is due to be paid to the United States Internal Revenue Service based on a priority claim it holds, leaving approximately USD \$4.9 Million (the “**Present Net Available Funds**”) for distributions to claimants holding claims which are far in excess of that amount. Additional claim objections will reduce the amount of Present Net Available Funds available for distributions to claimants.

As set forth above, resolution of the claims discussed above will complete the long running claims reconciliation process Trustee Menotte has undertaken and allow her to work toward closing these chapter 7 bankruptcy cases and make final distributions to creditors.

Thank you for your time and consideration.

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